



**PROPOSED RULE MAKING  
(RCW 34.05.320)**

**CR-102 (7/22/01)  
Do NOT use for expedited  
rule making**

Agency: **Insurance Commissioner**

- ☒ Preproposal Statement of Inquiry was filed as WSR 03-07-005; or  
☐ Expedited Rule Making -- Proposed notice was filed as WSR \_\_\_\_\_; or  
☐ Proposal is exempt under RCW 34.05.310(4).

- ☒ Original Notice  
☐ Supplemental Notice  
to WSR \_\_\_\_\_  
☐ Continuance of WSR \_\_\_\_\_

**(a) Title of rule: 2001 Commissioner's Standard Ordinary (CSO) Mortality Table**

Purpose: The 2001 CSO Mortality Table is a new mortality table developed by the American Academy of Actuaries to reflect changes in mortality since the development of the 1980 CSO table. The 1980 CSO table is the current mortality table; the 2001 table would provide a new minimum valuation standard of mortality for life insurance products.

Other identifying information: Insurance Commissioner Matter No. R 2003-02

(b) Statutory authority for adoption: RCW 48.02.060, 48.74.030, 48.76.050

Statute being implemented: RCW 48.74.030, 48.76.050

(c) Summary: The National Association of Insurance Commissioner's (NAIC) recently adopted the 2001 Commissioner's Standard Ordinary (CSO) Mortality Tables. The Commissioner has reviewed the new Table and proposes to adopt it.

Reasons supporting proposal: The National Association of Insurance Commissioner (NAIC) recently adopted the 2001 Commissioner's Standard Ordinary (CSO) Mortality Tables; this standard will be adopted in jurisdictions across the nation. The 2001 CSO Mortality Table reflects changes in mortality statistics. Generally, the increase in the life expectancies will allow insurers to decrease the amount that needs to be reserved on some policies.

(d) Name of Agency Personnel Responsible for:	Office Location	Telephone
1. Drafting..... Roy Olson	PO Box 40255, Olympia, WA 98504-0255	360-725-7136
2. Implementation.... Beth Berendt	PO Box 40255, Olympia, WA 98504-0255	360-725-7117
3. Enforcement..... Carol Sureau	PO Box 40255, Olympia, WA 98504-0255	360-725-7050

(e) Name of proponent (person or organization): Mike Kreidler, Insurance Commissioner

☐ Private  
☐ Public  
☒ Governmental

(f) Agency comments or recommendations, if any, as to statutory language, implementation, enforcement and fiscal matters: None

(g) Is rule necessary because of:

Federal Law?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	If yes, ATTACH COPY OF TEXT Citation:
Federal Court Decision?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	
State Court Decision?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	

**(h) HEARING LOCATION:**

Insurance Commissioner's Office  
Room TR 120  
5000 Capitol Blvd.  
Tumwater, WA 98501

Date: 12/23/03 Time: 10:00

Assistance for persons with disabilities: Contact  
Lori Villaflores by 12/21/03

TDD (360) 664-3154 or (360) 407-0198

NAME (TYPE OR PRINT)

Mike Kreidler

SIGNATURE

TITLE

Insurance Commissioner

DATE

11/18/03

Submit written comments to:  
Kacy Scott  
PO Box 40255  
Olympia, WA 98504-0255  
Email: [Kacys@oic.wa.gov](mailto:Kacys@oic.wa.gov)  
FAX (360) 586-3109 By (date) 12/22/03

DATE OF INTENDED ADOPTION: 12/30/03

**CODE REVISER USE ONLY**

CODE REVISER'S OFFICE  
STATE OF WASHINGTON  
FILED

NOV 18 2003

TIME 2:33 PM  
WSR 03-23-105

(j) Short explanation of rule, its purpose, and anticipated effects:

The National Association of Insurance Commissioner (NAIC) recently adopted the 2001 Commissioner's Standard Ordinary (CSO) Mortality Tables. The new table addresses plans of insurance that have separate rates for nonsmokers and smokers and for plans of insurance that have the same rates for males and females. The 2001 CSO Mortality Table was developed by the American Academy of Actuaries to reflect changes in mortality since the development of the 1980 CSO table. The 1980 CSO table is the current mortality table used by life insurers; the 2001 table would provide an alternate minimum valuation standard of mortality for life insurance products. The 2001 CSO Mortality Table also reflects changes in mortality statistics. The updated table will lead to more accurate standards. Generally, the increase in the life expectancies will allow insurers to decrease the amount that needs to be reserved on some policies.

Does proposal change existing rules? ☒ YES ☐ NO

If yes, describe changes:

The proposal allows insurers to use the 2001 CSO table or continue to use the 1980 CSO table (see WAC 284-74-300/380) until January 1, 2009. For policies written after January 1, 2009, insurers would be required to use the 2001 CSO table.

(k) Has a small business economic impact statement been prepared under chapter 19.85 RCW?

Yes. Attach copy of small business economic impact statement.

A copy of the statement may be obtained by writing to:

☒ No. Explain why no statement was prepared

The proposed rule should have no negative economic impacts on small businesses.

(l) Does RCW 34.05.328 apply to this rule adoption? ☒ Yes ☐ No

Please explain: This proposal is a significant legislative rule for the purposes of RCW 34.05.328. A copy of the preliminary cost-benefit analysis is available upon request.

Contact:

Kacy Scott

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360-725-7041

#### NEW SECTION

**WAC 284-74-400 Purpose.** The purpose of this regulation, WAC 284-74-400 through 284-74-460, is to recognize and prescribe the use of the 2001 commissioners standard ordinary (CSO) mortality table in compliance with RCW 48.74.030 (1)(a)(iii), 48.76.050 (4)(h)(vi), and WAC 284-74-340 (1) and (2).

#### NEW SECTION

**WAC 284-74-410 Definitions.** (1) "2001 CSO mortality table" means that mortality table, consisting of separate rates of mortality for male and female lives, adopted by the National Association of Insurance Commissioners (NAIC) in December of 2002. The 2001 CSO mortality table is included in the *Proceedings of the NAIC (2nd Quarter 2002)*. Unless the context indicates otherwise, the "2001 CSO mortality table" includes both the ultimate form and the select and ultimate form of that table and includes both the smoker and nonsmoker mortality tables and the composite mortality tables. It also includes both the age-nearest-birthday and age-last-birthday bases of the mortality tables.

(2) "2001 CSO mortality table (F)" means that mortality table consisting of the rates of mortality for female lives from the 2001 CSO mortality table.

(3) "2001 CSO mortality table (M)" means that mortality table consisting of the rates of mortality for male lives from the 2001 CSO mortality table.

(4) "Composite mortality tables" means mortality tables with rates of mortality that do not distinguish between smokers and nonsmokers.

(5) "Smoker and nonsmoker mortality tables" means mortality tables with separate rates of mortality for smokers and nonsmokers.

#### NEW SECTION

**WAC 284-74-420 2001 CSO mortality table.** (1) The 2001 commissioners standard ordinary (CSO) mortality table may be used as allowed in RCW 48.74.030 (1)(a)(iii), 48.76.050 (4)(h)(vi), and WAC 284-74-340 (1) and (2), subject to the conditions in this regulation.

(2) An insurer may elect to use the 2001 CSO mortality table as the minimum standard for policies issued on or after January 1, 2004, until January 1, 2009. This table may be used for any one or more specified plans of insurance subject to the conditions in this regulation. If the insurer elects to use the 2001 CSO mortality table, it must do so for both valuation and nonforfeiture purposes.

(3) An insurer must use the 2001 CSO mortality table as the minimum standard for policies issued on or after January 1, 2009.

#### NEW SECTION

**WAC 284-74-430 Conditions.** (1) For each plan of insurance with separate rates for smokers and nonsmokers an insurer may use:

(a) Composite mortality tables to determine minimum reserve liabilities and minimum cash surrender values and amounts of paid-up nonforfeiture benefits;

(b) Smoker and nonsmoker mortality tables to determine the valuation net premiums and additional minimum reserves, if any, required by RCW 48.74.070 and use composite mortality tables to determine the basic minimum reserves, minimum cash surrender values and amounts of paid-up nonforfeiture benefits; or

(c) Smoker and nonsmoker mortality to determine minimum reserve liabilities and minimum cash surrender values and amounts of paid-up nonforfeiture benefits.

(2) The composite mortality tables must be used for plans of insurance without separate rates for smokers and nonsmokers.

(3) The insurer for each plan of insurance may use the 2001 CSO mortality table in its ultimate or select and ultimate form to determine minimum reserve liabilities and minimum cash surrender values and amounts of paid-up nonforfeiture benefits. This is subject to the restrictions of WAC 284-74-440 and WAC 284-74-300 through 284-74-380 regarding the use of the select and ultimate form.

(4) When the 2001 CSO mortality table is the minimum reserve standard for any plan for an insurer, the actuarial opinion in the annual statement filed with the commissioner must be based on an asset adequacy analysis as specified in WAC 284-07-380. The commissioner may exempt an insurer from this requirement if it only does business in Washington.

NEW SECTION

**WAC 284-74-440 Applicability to WAC 284-74-300 through 284-74-380.** (1) The 2001 CSO mortality table may be used in applying WAC 284-74-300 through 284-74-380 in the following manner, subject to the transition dates for use of the 2001 CSO mortality table in WAC 284-74-420 of this regulation (unless otherwise noted, the references in this section are to WAC 284-74-300 through 284-74-380):

(a) WAC 284-74-320 (1)(b)(ii): The net level reserve premium is based on the ultimate mortality rates in the 2001 CSO mortality table.

(b) WAC 284-74-330(2): All calculations are made using the 2001 CSO mortality rate, and, if elected, the optional minimum mortality standard for deficiency reserves stipulated in (d) of this subsection. The value of " $q_{x+k+t-1}$ " is the valuation mortality rate for deficiency reserves in policy year  $k+t$ , but using the unmodified select mortality rates if modified select mortality rates are used in the computation of deficiency reserves.

(c) WAC 284-74-340(1): The 2001 CSO mortality table is the minimum standard for basic reserves.

(d) WAC 284-74-340(2): The 2001 CSO mortality table is the minimum standard for deficiency reserves. If select mortality rates are used, they may be multiplied by X percent for durations in the first segment, subject to the conditions specified in WAC 284-74-340 (3)(a) through (i). In demonstrating compliance with those conditions, the demonstrations may not combine the results of tests that utilize the 1980 CSO mortality table with those tests that utilize the 2001 CSO mortality table, unless the combination is explicitly required by regulation or necessary to be in compliance with relevant actuarial standards of practice.

(e) WAC 284-74-350(3): The valuation mortality table used in determining the tabular cost of insurance is the ultimate mortality rates in the 2001 CSO mortality table.

(f) WAC 284-74-350 (5)(e): The calculations specified in WAC 284-74-350(5) must use the ultimate mortality rates in the 2001 CSO mortality table.

(g) WAC 284-74-350 (6)(e): The calculations specified in WAC 284-74-350(6) must use the ultimate mortality rates in the 2001 CSO mortality table.

(h) WAC 284-74-350 (7)(b): The calculations specified in WAC 284-74-350(7) must use the ultimate mortality rates in the 2001 CSO mortality table.

(i) WAC 284-74-360 (1)(a)(ii): The one-year valuation premium must be calculated using the ultimate mortality rates in the 2001 CSO mortality table.

(2) Nothing in this section expands the applicability of WAC 284-74-300 through 284-74-380 to include life insurance policies exempted under WAC 284-74-320(1).

#### NEW SECTION

**WAC 284-74-450 Gender blended tables.** (1) On or after January 1, 2004, an insurer may substitute a blended mortality table for the 2001 CSO mortality table for any ordinary life insurance policy delivered or issued for delivery in this state. The ordinary life policy must have (a) utilized the same premium rates and charges for male and female lives and (b) been issued in circumstances where applicable law does not permit distinctions on the basis of gender. The substituted table may blend the 2001 CSO mortality table (M) and the 2001 CSO mortality table (F) for use in determining minimum cash surrender values and amounts of paid-up nonforfeiture benefits. The table may be used for any one or more specified plans of insurance subject to the conditions in this regulation. No change in minimum valuation standards is implied by this subsection.

(2) The insurer may choose from among the blended tables developed by the American Academy of Actuaries CSO task force and adopted by the NAIC in December of 2002. The mortality table chosen must be based on the blend of lives by gender expected for the policies to be issued. The 2001 CSO mortality table (M) and 2001 CSO mortality table (F) may only be used where the proportion of individuals insured is anticipated to be ninety percent or more of one gender or the other.

(3) An insurer shall not use gender blended mortality tables unless:

(a) The Norris decision (Arizona Governing Committee v. Norris, 463 U.S. 1073, 103 S. Ct. 3492, 77 1. Ed 2d 1236 (1983)) or other federal law is known to apply to the policies involved; or

(b) The insurer has a bona fide concern that the Norris decision or other federal law might reasonably be construed to apply by a court having jurisdiction.

(4) It is not a violation of RCW 48.30.300 for an insurer to issue the same kind of policy of life insurance on both a gender distinct and gender neutral basis.

NEW SECTION

**WAC 284-74-460 Effective date.** The effective date of this regulation is January 1, 2004.